

Auditing Procedures Report V1.04

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Issued under Public Act 2 of 1968, as amended.

Unit Name	COLON FIRE AND RESCUE DEPARTMENT	County	ST JOSEPH	Type	OTHER	MuniCode	
Opinion Date-Use Calendar	Jul 18, 2008	Audit Submitted-Use Calendar	Aug 13, 2008	Fiscal Year-Use Drop List	2008		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies?
<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 170,316.00
General Fund Expenditure:	\$ 248,832.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 64,140.00
Governmental Activities Long-Term Debt (see instructions):	\$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	MICHAEL	Last Name	WILSON	Ten Digit License Number	1101017570		
CPA Street Address	127 W. CHICAGO RD.	City	STURGIS	State MI	Zip Code 49091	Telephone	+1 (269) 651-3228
CPA Firm Name	NORMAN & PAULSEN, P.C.	Unit's Street Address	1063 M-86	City	COLON	LU Zip	49040

COLON COMMUNITY FIRE AND
RESCUE DEPARTMENT
ST. JOSEPH COUNTY, MICHIGAN

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

MARCH 31, 2008

COLON COMMUNITY FIRE AND RESCUE DEPARTMENT

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INDEPENDENT AUDITOR'S REPORT

Members of the Board
Colon Community Fire and Rescue Department

We have audited the accompanying financial statements of the governmental activities and the major fund of the Colon Community Fire and Rescue Department, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Colon Community Fire and Rescue Department management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Colon Community Fire and Rescue Department, as of March 31, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Gerald L. Paulsen, CPA
Patrick J. Monahan, CPA
Bruce S. A. Gosling, CPA
Michael R. Wilson, CPA
Mark J. Strawser, CPA
Gerald L. Paulsen (1941-1982)

July 18, 2008

Norman J. Paulsen, P.C.

COLON COMMUNITY FIRE AND RESCUE DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Colon Community Fire and Rescue Department financial performance provides an overview of the Department's financial activities for the fiscal year ended March 31, 2008. Please read it in conjunction with the Department's financial statements.

Financial Highlights

The Department's overall financial position increased by \$26,885 during the fiscal year ended March 31, 2008, which represents 9 percent of the net asset position at the beginning of the year.

The Department's Governmental Funds reflected a total fund balance at March 31, 2008 of \$64,140, which was a decrease of \$78,516 from the prior year end. This was due to the purchase of a fire truck and a rescue vehicle.

The total Governmental Fund expenditures for the year ended March 31, 2008, amounted to \$248,832, of which \$153,230 were funded from intergovernmental support.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Department as a whole and present a longer-term view of the Department's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the supporting governmental units have funded the full cost of providing government services.

The Fund financial statements present a short-term view; they tell us how the supporting governmental units' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Department's operations in more detail than the government-wide financial statements by providing information about the Department's most significant funds.

COLON COMMUNITY FIRE AND RESCUE DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Department as a Whole

The following table shows, in a condensed format, the net assets as of the current year end and compared to the prior year end under the modified accrual basis of accounting:

	Governmental Funds	
	2008	2007
Assets	\$ 64,140	\$ 142,656
Liabilities	-	-
Fund Balance	<u>\$ 64,140</u>	<u>\$ 142,656</u>

The following table shows, in a condensed format, the net assets of the current year end and compared to the prior year end as required by GASB 34 stated under the full accrual basis.

	Governmental Activities	
	2008	2007
Current and other assets	\$ 64,140	\$ 142,656
Capital assets	<u>262,949</u>	<u>157,548</u>
Total assets	327,089	300,204
Current and other liabilities	-	-
Net assets		
Invested in capital assets, net of related debt	262,949	157,548
Unrestricted	<u>64,140</u>	<u>142,656</u>
Total net assets	<u>\$ 327,089</u>	<u>\$ 300,204</u>

COLON COMMUNITY FIRE AND RESCUE DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the changes of the net assets during the current year as compared to the prior year, under the modified accrual basis of accounting:

	Governmental Funds	
	2008	2007
Revenue		
Intergovernmental support	\$ 153,230	\$ 154,333
Grant	-	2,491
Interest	531	726
Insurance	2,000	2,506
Miscellaneous	<u>14,555</u>	<u>3,653</u>
Total revenue	170,316	163,709
Program expenses		
Public safety	<u>248,832</u>	<u>116,911</u>
Excess (deficiency)	<u>\$ (78,516)</u>	<u>\$ 46,798</u>

The following table shows, in a condensed format, the changes in net assets during the current year as compared to the prior year as required by GASB 34 stated under the full accrual basis of accounting.

	Governmental Activities	
	2008	2007
Revenues		
Program revenues		
Charges for services	\$ 155,230	\$ 156,839
Grant	-	2,491
General revenues		
Investment earnings	531	726
Miscellaneous	<u>14,555</u>	<u>3,653</u>
Total revenues	170,316	163,709
Expenses		
Public safety - fire protection	<u>143,431</u>	<u>135,337</u>
Change in net assets	<u>\$ 26,885</u>	<u>\$ 28,372</u>

COLON COMMUNITY FIRE AND RESCUE DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Department's Funds

Our analysis of the Department's major funds begins on page 8, following the government-wide financial statements. The fund financial statements provide detailed information about the significant funds, not the Department as a whole. Major funds for the fiscal year ended March 31, 2008 include the General Fund. The General Fund pays for all of the Department's public safety services and is funded primarily by charges to participating governmental units.

General Fund Budgetary Highlights

As shown in the required supplemental information, the Department budgeted a change in fund balance of \$-0- in the original budget. Actual operating results ended up as a decrease of \$78,516. This decrease was primarily the result of equipment expenditures.

The original budget was not amended.

Capital Assets and Debt Administration

During the year ended March 31, 2008, the Department purchased a rescue truck in the amount of \$58,350 and a fire truck in the amount of \$73,698.

The Department has no long-term debt obligations.

Contacting the Department's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Department's finances and to show the Department's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Colon Community Fire and Rescue Department.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

COLON COMMUNITY FIRE AND RESCUE DEPARTMENT

STATEMENT OF NET ASSETS
MARCH 31, 2008

	<u>Primary Government</u>	<u>Governmental Activities</u>
ASSETS		
Cash and cash equivalents	\$ 48,855	
Prepaid and other assets	15,285	
Capital assets - net	<u>262,949</u>	
Total assets		327,089
LIABILITIES		
Accounts payable		-
Accrued payroll and taxes		<u>-</u>
Total liabilities		-
NET ASSETS		
Invested in capital assets, net of related debt		262,949
Unrestricted		<u>64,140</u>
Total net assets	\$ <u>327,089</u>	

See accompanying notes to financial statements

COLON COMMUNITY FIRE AND RESCUE DEPARTMENT

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2008

				Net (Expense) Revenue and Changes in Net Assets
<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Primary government				
Governmental activities:				
Public safety	<u>\$ 143,431</u>	<u>\$ 155,230</u>	<u>\$ -</u>	\$ 11,799
General revenues:				
Unrestricted investment earnings				531
Miscellaneous				<u>14,555</u>
Total general revenues				<u>15,086</u>
CHANGE IN NET ASSETS				26,885
NET ASSETS - BEGINNING				<u>300,204</u>
NET ASSETS - ENDING				<u>\$ 327,089</u>

See accompanying notes to the financial statements

FUND FINANCIAL STATEMENTS

COLON COMMUNITY FIRE AND RESCUE DEPARTMENT

GOVERNMENTAL FUNDS
BALANCE SHEET
MARCH 31, 2008

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 48,855
Prepaid expenditures	<u>15,285</u>
Total assets	<u>\$ 64,140</u>
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ -
Accrued payroll and taxes	<u>-</u>
Total liabilities	-
 FUND BALANCE	
Designated for equipment purchases	38,321
Reserved for noncurrent assets	15,285
Unreserved, undesignated	<u>10,534</u>
Total fund balance	<u>64,140</u>
 Total liabilities and fund balance	<u>\$ 64,140</u>

See accompanying notes to the financial statements

COLON COMMUNITY FIRE AND RESCUE DEPARTMENT

GOVERNMENTAL FUNDS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES

TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

MARCH 31, 2008

Total governmental fund balances	\$	64,140
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Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities
are not financial resources and therefore are
not reported in the funds.

Governmental capital assets	\$	485,624	
Less accumulated depreciation		<u>(222,675)</u>	<u>262,949</u>

Net assets of governmental activities	\$	<u><u>327,089</u></u>
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See accompanying notes to the financial statements

COLON COMMUNITY FIRE AND RESCUE DEPARTMENT

GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
YEAR ENDED MARCH 31, 2008

	<u>General Fund</u>
REVENUES	
Intergovernmental support	\$ 153,230
Interest	531
Insurance	2,000
Miscellaneous	<u>14,555</u>
Total revenues	170,316
EXPENDITURES	
Public safety	116,784
Capital outlay	<u>132,048</u>
Total expenditures	<u>248,832</u>
EXCESS OF REVENUES OVER EXPENDITURES	(78,516)
FUND BALANCE - BEGINNING OF YEAR	<u>142,656</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 64,140</u></u>

See accompanying notes to the financial statements

COLON COMMUNITY FIRE AND RESCUE DEPARTMENT

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2008

Net change in fund balances - total governmental funds \$ (78,516)

Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlays as expenditures.
However, in the statement of activities, the cost of those
assets is depreciated over their estimated useful lives.

Expenditures for capital assets	132,048
Depreciation expense	<u>(26,647)</u>

Change in net assets of governmental activities \$ 26,885

See accompanying notes to the financial statements

COLON COMMUNITY FIRE AND RESCUE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Colon Community Fire and Rescue Department conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The more significant accounting policies establishing GAAP and used by the Department are discussed below.

Reporting Entity

The Colon Community Fire and Rescue Department, by law, is not a separate entity, but a fund shared by the participating governmental units. The Colon Village Board and the Colon Township Board have allowed the Department to report as a separate unit.

The Colon Community Fire and Rescue Department operates under a Chairman - joint board form of government and provides the following services as authorized under its inter-local agreement:

Provide fire and rescue protection services to the Village of Colon and the Township of Colon.

Basis of Accounting - Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the Department as a whole. They include all funds of the reporting entity except for fiduciary funds. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in preparation of the proprietary fund financial statements but differs from the manner in which the governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

COLON COMMUNITY FIRE AND RESCUE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the Department and for each governmental and component unit program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Some functions, such as administrative and financial services include expenses that are, in essence, indirect expenses of other functions. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the Department.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available, it is the Department's policy to use restricted resources first, then unrestricted resources as they are needed.

Basis of Accounting - Fund Financial Statements - Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. A fund is considered major if it is the primary operating fund of the Department or meets the following criteria:

- * Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

COLON COMMUNITY FIRE AND RESCUE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- * Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

The Department reports the following major funds:

General Fund - The general fund is the general operating fund of the Department. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from other governmental units.

The following is a description of the major category and fund type within that category:

Governmental Fund - All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become susceptible to accrual (i.e., when they become both measurable and available). Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenue Recognition - "Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Department considers intergovernmental support, interest revenue and charges for sales and services as susceptible to accrual if the amount was due on or before fiscal year end and collection was within one year after year end. Reimbursements due for state and federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made. All other revenue is recognized as payments are received.

COLON COMMUNITY FIRE AND RESCUE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Expenditure Recognition - The measurement focus of governmental accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocation of costs, such as depreciation and amortization, are not recognized in the governmental funds.

The following is a description of the governmental fund types of the Department:

General Fund - The general fund is the general operating fund of the Department. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from other governmental units.

Budgets and Budgetary Accounting - Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are legally adopted for the general fund. The Department adopts its budget in accordance with Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and an annual appropriation act to implement the budget.

Deposits and Investments - Statutes authorize the primary government and component units to invest in the following:

- * In bonds, securities and other obligations of the United States or agency or instrumentality of the United States.
- * In certificates of deposit, savings accounts, deposit accounts or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation, a saving and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration.
- * In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- * In United States government of federal agency obligation repurchase agreements.

COLON COMMUNITY FIRE AND RESCUE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- * In banker's acceptances of United States banks.
- * In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- * In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." All other outstanding balances between funds are reported as "due to/due from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

All trade receivables are shown as net of allowance for uncollectible amounts.

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets and Depreciation - Capital assets, which include vehicles and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Department as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost of purchase or construction. Contributed assets are recorded at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are also capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

	Depreciable <u>Life-Years</u>
Machinery and equipment	5-20
Vehicles	5-20

COLON COMMUNITY FIRE AND RESCUE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH AND CASH EQUIVALENTS

The Department uses financial institutions for cash and cash equivalent purposes, which are in accordance with statutory authority.

The accounts maintained in the financial institutions are checking and savings.

At March 31, 2008, the carrying amount of the Department's deposits was \$48,855 and the bank balance was \$65,003. The differences between the balances are the result of checks issued by the Department but not yet presented for payment, and deposits made that were not posted by the bank until the following month. The risk exposure of all cash and cash equivalents at March 31, 2008, is as follows:

Insured	\$ 65,003
Uninsured	<u>-</u>
Total cash and cash equivalents	<u><u>\$ 65,003</u></u>

COLON COMMUNITY FIRE AND RESCUE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the year ended March 31, 2008, was as follows:

	Balance April 1, 2007	Additions	Disposals	Balance March 31, 2008
<u>Primary Government</u>				
Governmental activities				
Capital assets, being depreciated:				
Vehicles	\$ 531,964	\$ 132,048	\$ 251,000	\$ 413,012
Machinery and equipment	<u>72,612</u>	<u>-</u>	<u>-</u>	<u>72,612</u>
Subtotal	604,576	132,048	251,000	485,624
Accumulated depreciation				
Vehicles	392,553	18,917	251,000	160,470
Machinery and equipment	<u>54,475</u>	<u>7,730</u>	<u>-</u>	<u>62,205</u>
Subtotal	<u>447,028</u>	<u>26,647</u>	<u>251,000</u>	<u>222,675</u>
Net capital assets being depreciated	<u>\$ 157,548</u>			<u>\$ 262,949</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Public safety	<u>\$ 26,647</u>

COLON COMMUNITY FIRE AND RESCUE DEPARTMENT

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 4 - RISK MANAGEMENT

The Department is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Department has purchased commercial insurance for most risks of loss to which it is exposed. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 5 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The annual budget is prepared by the Department management and adopted by the Department Board; subsequent amendments are approved by the Department Board. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. During the current year, the budget was not amended.

The budget has been prepared in accordance with generally accepted accounting principles.

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the Department were adopted on a fund level basis.

During the year ended March 31, 2008, the Department incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

	<u>Appropriation</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Public Safety	\$ 153,230	\$ 248,832	\$ 95,602

NOTE 6 - RELATED PARTY TRANSACTIONS

Fuel and oil are purchased from a business owned by the family of the fire chief. The fire chief is employed by the family business. The amount paid to the related party was \$4,620. This was 1.86 percent of the total expenses.

Items are purchased from a business owned by a fire board member. The amount paid to the related party was \$2,048. This was .82 percent of the total expenses.

REQUIRED SUPPLEMENTAL INFORMATION

COLON COMMUNITY FIRE AND RESCUE DEPARTMENT

REQUIRED SUPPLEMENTAL INFORMATION

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

YEAR ENDED MARCH 31, 2008

	Original and Amended Budget	Actual	Variance With Amended Budget
REVENUES			
Intergovernmental support			
Charges for services			
Colon Township	\$ 103,124	\$ 103,376	\$ 252
Colon Village	50,106	49,854	(252)
Total intergovernmental support	153,230	153,230	-
Insurance	-	2,000	2,000
Interest	-	531	531
Miscellaneous	-	14,555	14,555
Total revenues	153,230	170,316	17,086
EXPENDITURES			
Public safety			
Fire and rescue wages	43,000	32,594	10,406
Fire board wages	3,500	1,560	1,940
Payroll taxes	4,000	2,613	1,387
Office supplies and postage	700	606	94
Gas and oil	4,000	4,667	(667)
Operating supplies	2,000	6,315	(4,315)
Computer expense	2,000	708	1,292
Professional services	1,500	1,200	300
Membership and dues	150	310	(160)
Communication	4,000	758	3,242
Printing and publishing	300	-	300
Workmans Comp insurance	3,000	1,902	1,098
Property and liability insurance	17,500	16,678	822
Water and sewer	900	936	(36)
Heat	6,600	3,721	2,879
Electric	5,500	3,878	1,622
Telephone	2,000	1,549	451
Repairs and maintenance	12,300	18,306	(6,006)
Medical	1,000	315	685

Continued on next page

COLON COMMUNITY FIRE AND RESCUE DEPARTMENT

REQUIRED SUPPLEMENTAL INFORMATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED MARCH 31, 2008

	Original and Amended Budget	Actual	Variance With Amended Budget
EXPENDITURES - Continued			
Hydrant rental	13,880	13,754	126
Education	5,000	4,093	907
Equipment	20,000	132,048	(112,048)
Miscellaneous	<u>400</u>	<u>321</u>	<u>79</u>
Total expenditures	<u>153,230</u>	<u>248,832</u>	<u>(95,602)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(78,516)	(78,516)
FUND BALANCE - Beginning of year	<u>142,656</u>	<u>142,656</u>	<u>-</u>
FUND BALANCE - End of year	<u>\$ 142,656</u>	<u>\$ 64,140</u>	<u>\$ (78,516)</u>

July 18, 2008

1. *Chelodactylus* (Pisces: Chelodactylidae)

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 21, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

Donald L. Paulsen, CPA
Patrick J. Monahan, CPA
R. Lane S. A. Gossing, CPA
Michael R. Wilson, CPA
Jill L. Showser, CPA
John F. Norman (1941-1982)

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements.

Disclosures

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements, if any.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 18, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Internal Control Matters

In planning and performing our audit of the financial statements of the Colon Community Fire and Rescue Department, for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

The relatively small number of people involved in the accounting functions of the Department makes it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the Department's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting). As is the case with most small and medium-sized entities, the Department has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process.

Accordingly, the Department's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot, by definition, be considered a part of the government's *internal* controls. This condition was caused by the Department's determination that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Department to perform this task internally.

We noted that actual expenditures exceeded that of the adopted budget. If expenditures exceed budget amounts, the budget must be amended. Section IV-2 of Public Act 621 requires that the budget be amended prior to expenditures being made. The budget may not be amended after year-end. We recommend the Department review the budget requirements under P.A. 621 to avoid this problem in the future.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Association's internal control. We believe that the deficiencies described above are material weaknesses.

This communication is intended solely for the information and use of management, Council, and others within the Municipality, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Norman J. Paulson, P.C.